

Message Text

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ACTION EUR-12

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CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07

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R 271930Z SEP 76 ZDK
FM AMCONSUL VANCOUVER
TO SECSTATE WASHDC 3036
AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: PFOR ENRG CA US

SUBJECT: AMBASSADOR'S SEPTEMBER 22 CALL ON BRITISH COLUMBIA
PREMIER

1. SUMMARY: IN TALK WITH AMBASSADOR AND LUPPI SEPTEMBER 22, BC
PREMIER BENNETT SAID HIS GOVERNMENT "AGGRESSIVELY SUPPORTS" THE
ALCAN GAS TRANSMISSION OPTION. BENNETT WAS MORE CAUTIOUS ON THE
KITIMAT OIL PIPELINE, SAYING HE INTENDED TO KEEP HIS HEAD DOWN
UNLESS THERE WERE ASSURANCES THAT IT WOULD SUBSTITUTE FOR ADDITIONAL
SUPERTANKER TRAFFIC IN PUGET SOUND. BENNETT SAID THAT BC NEEDS
FOREIGN INVESTMENT, AND HE HOPES TO REBUILD US INVESTOR CONFIDENCE.
HE REFERRED TO HIS CONCEPT FOR OFFERING OTHER POWER TO SEATTLE AS
A SUBSTITUTE FOR THAT WHICH WOULD BE GENERATED BY RAISING ROSS DAM,
AND ACKNOWLEDGED BC'S ENVIRONMENT RESPONSIBILITY FOR THE FLATHEAD.
END SUMMARY.

2. BENNETT CAME ON MUCH AS DESCRIBED: WELL BRIEFED, WELL-TURNED-OUT

,
BUSINESSLIKE, WELL DISPOSED TO THE US.

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3. NATURAL GAS TRANSMISSION. BENNETT SAID EC WANTS TO HAVE THE GAS PIPELINE GO THROUGH THE PROVINCE (A) TO EMPHASIZE DEVELOPMENT OF THE ALCAN CORRIDOR, (B) TO PUT EC INTO A COOPERATIVE RELATIONSHIP WITH PACIFIC AND NORTH CENTRAL STATES, AND (MUCH MORE MARGINALLY) (C) FOR THE CONSTRUCTION AND ONGOING BUSINESS. BENNETT WILL PUSH ACTIVELY FOR THE ALCAN ROUTE, AND IS COORDINATING HIS CAMPAIGN. THE GOVERNORS OF OREGON AND WASHINGTON ALSO INDICATED TO HIM THEIR SUPPORT FOR THE ALCAN ROUTE IN A RECENT MEETING IN SALEM. COMMENT: BENNETT MAY ALSO SEE THE PIPELINE AS A MEANS OF ASSURING BC'S FUTURE GAS SUPPLY IF THERE ARE MORE FILED FAILURES LIKE BEAVER LAKE. HE ALLUDED TO POTENTIAL SUPPLY PROBLEMS; WE SHOULD BE ALERT TO ANY EFFORTS BY BC TO CONDITION GAS THROUGHPUT.

4. KITIMAT OIL PIPELINE. ASKED ABOUT THIS, BENNETT SAID HE HAS KEPT OUT OF IT SO FAR. THE PIPELINE COULD REINFORCE HIS GOVERNMENT'S POLICY OF MAKING PRINCE RUPERT THE RESOURCE TRANSPORTATION HUB OF THE PROVINCE (BENNETT IS PROPOSING TO CENTER COAL EXPORT THERE). BUT THE ENVIRONMENTALISTS WOULD "KILL HIM," BENNETT SAID, IF HE WENT ALONG WITH A POLLUTION THREAT AT KITIMAT AND HAD TO STAND UP TO A MASSIVE INCREASE IN TANKER TRAFFIC IN PUGET SOUND ANYWAY. SO HE PLANS TO PLAY THIS ONE COOL UNTIL IT BECOMES CLEAR WHAT THE OPTIONS ARE. AMBASSADOR POINTED OUT THAT PROPOSED KITIMAT LINE WOULD NOT HAVE CAPACITY TO SUPPLY PACIFIC NORTHWEST AND CENTRAL STATES, AND THAT TRANSMISSION CHARGES WOULD BE HIGHER. THUS SOME INCREASE IN TANKER TRAFFIC IN PUGET SOUND WOULD BE PROBABLE.

5. ROSS DAM. BENNETT SAID THERE IS A GOOD DEAL OF NEW THINKING AND DISCUSSION ON THE SKAGIT VALLEY. THE WHOLE MATTER HAS GOTTEN SOMEWHAT OUT OF KILTER IN THE PUBLIC VIEW BECAUSE OF THE HEAVY PUBLICITY CAMPAIGN MOUNTED BY ENVIRONMENTALISTS. THE SKAGIT VALLEY, HE SAID, IS NOT THE FOREST WONDERLAND MANY SEEM TO THINK. HOWEVER, HIS GOVERNMENT WOULD LIKE TO WORK OUT A SOLUTION WHEREBY ROSS DAM WOULD NOT BE RAISED AND SEATTLE POWER NEEDS WOULD BE MET BY HYDRO-ELECTRICAL POWER PRODUCED ON THE PEND D'OREILLE RIVER (THIS SEEMED TO BE A REFERENCE TO THE "SEVEN MILE" DAM PROJECT CONTEMPLATED BY THE BRITISH COLUMBIA GOVERNMENT). BENNETT ADMITTED HE DOES NOT EXPECT SEATTLE TO GREET THIS ALTERNATIVE WITH GREAT ENTHUSIASM. HE ACKNOWLEDGED RESPONSIBILITY TO AVOID ENVIRONMENTAL DAMAGE TO THE LIMITED OFFICIAL USE

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FLATHEAD.

6. HAINES CUTOFF. BENNETT SAID WE COULD COUNT ON THIS BEING WORKED OUT. BC WOULD LIKE TO SEE OVER-ALL UPGRADING OF THE ALCAN HIGHWAY AND WILL BE DISCUSSING THIS WITH ALASKA. THERE IS NO SPECIFIC PLAN YET, BUT THE PREMIER WILL PUSH FOR A SOLUTION.

7. BRITISH COLUMBIA ECONOMY AND POLITICS. BENNETT THOUGHT THAT HIS

ADMINISTRATION HAS DONE WELL DURING ITS FIRST NINE MONTHS, BUT NOTED IT HAS TAKEN SOMETHING OF A BEATING ON ECONOMIC ISSUES. EVERY MOVE TAKEN TO IMPROVE THE BUDGETARY POSITION BRINGS--AS WOULD BE EXPECTED--

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OPPOSITION COMPLAINTS WHICH THE GOVERNMENT HAS TO DEFEND, E.G. TAX INCREASES, HIGHER FERRY RATES.

8. THE CONDITION OF THE FOREST INDUSTRY IS OF GREAT CONCERN, THE PREMIER SAID. ITS COMPETITIVE POSITION HAS WEAKENED DUE TO HIGH LABOR COSTS AND UNCERTAIN DELIVERIES CAUSED BY LABOR DIFFICULTIES. ON THE OTHER HAND HOPES ARE HIGH WITH RESPECT TO THE FUTURE OF MINING IN THE STATE. COPPER PRICES ARE UP BUT IT IS COAL IN PARTICULAR WHICH

SEEMS TO HAVE HIGH EXPORT POTENTIAL, AND HE WILL PUSH IT HARD.

9. THE PREMIER STATED HIS DISAPPOINTMENT WITH THE RATE OF CAPITAL INVESTMENT IN BC. IT IS HIS INTENT TO INDUCE BC CAPITAL, MUCH OF WHICH IS GOING TO THE US OR TO OTHER PROVINCES, TO REMAIN IN THE PROVINCE AND ALSO TO ATTRACT CAPITAL FROM OUTSIDE.

10. REFERRING TO THE TRIP HE AND HIS CABINET ARE MAKING TO THE NORTH THIS WEEK (MOST MINISTERS HAD LEFT THE DAY BEFORE AND THE PREMIER WAS PLANNING TO DEPART THAT AFTERNOON), THE PREMIER SAID IT WAS THE FIRST OF ITS KIND UNDER HIS GOVERNMENT. THE MINISTERS HAVE FANNED OUT TO THEIR RESPECTIVE CONSTITUENCIES TO LOOK THINGS OVER AND ARE THEN TO CONGREGATE IN TERRANCE THE NEXT DAY, THE 23RD, FOR DISCUSSION OF PROVINCIAL FELT NEEDS. SMILING, THE PREMIER SAID HIS GOVERNMENT WILL TAKE THE OCCASION ALSO "TO GIVE OUT SOME GOODIES." THIS CABINET TRIP IS THE FIRST OF SEVERAL PLANNED IN THE WEEKS AHEAD.

11. BENNETT SAID HE IS PLANNING TO TRAVEL TO NEW YORK NEXT YEAR TO TALK TO BANKERS AND INVESTORS. AMBASSADOR SUGGESTED THAT LIMITED OFFICIAL USE

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PERHAPS HE WOULD ALSO CONSIDER VISITING WASHINGTON.
LUPPI

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